Annual Report TO SHAREOWNERS 1962

DIRECTORS

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C. E. La FRAMENTA

SANFORD J. BOWYER

EDWARD P. LESLIE

C. R. CAMPBELL

S. S. RAAB

ROBERT G. KNIGHT

A. L. STARSHAK

C. R. WALGREEN, JR.

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O. G. GILE
M. R. KephartVice President
C. E. LA FRAMENTAVice President
Edward P. Leslie
W. W. Low
W. K. Miske
S. S. RAABVice President
W. H. REESE
N. P. STARSHAK
Public Accountants and AuditorsArthur Andersen & Co.
Transfer Agents THE FIRST NATIONAL BANK OF CHICAGO

Registrars HARRIS TRUST AND SAVINGS BANK OF CHICAGO
THE FIRST NATIONAL CITY BANK OF NEW YORK

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

General Offices, 4300 W. Peterson Ave., Chicago 46, Ill.



The President's Annual Message

DURING the year just closed on September 30, we had record sales of 353 million, including 10 million from the Globe-Danburg stores. Earnings amounted to \$3.92 per share on all shares outstanding at the close of our fiscal year (including 45,000 shares of stock issued for the Globe-Danburg acquisition and the stock dividend of 39,376 shares issued just before the close of the year). These earnings include a special dividend of \$204,000 over and above the regular dividends from Sanborn Hnos., our affiliate in Mexico. Comparable earnings for the previous year were \$3.79 per share—based upon the same number of shares, exclusive of those issued for the Globe-Danburg companies and stock dividend applicable to them.

The Globe-Danburg acquisition was accounted for on a "pooling of interests" basis, and, therefore, the 1962 figures include the results of their operations for the full year. We believe this acquisition has possibilities of unusual merchandising opportunities and are confident that this division will be of increasing importance to our over-all operation.

During 1962, we elected to adopt the new depreciation rules, the 7% investment credit and accelerated depreciation. This had no effect on reported earnings, but it permits us to retain cash by providing a liability for the payment in future years of a portion of the Federal Income Tax.

At the close of the year we were operating 476 stores, an increase of 9 units. We opened 28 new stores (of which 15 were replacements), acquired 3 Globe and 7 Danburg stores, and closed 29 old stores. We also converted 10 conventional stores to self service operation. We are planning to open about 30 stores during the current year, including 2 or 3 large 100,000-square-foot discount department stores.

Last June was an important milestone in the operation of our company—the filling of our 100 millionth prescription. We are currently filling prescriptions at a rate of over 8 million a year. Our substantial increase in this phase of our business is due to realization by the public of our fine prescription service—at very low prices. We are proud of the dedication of our managers and pharmacists to the service of public health.

Sincerely,

ORwalguen, J.

Walgreen Co. and Subsidiary Companies

COMPARATIVE

ASSETS

	September 30,	
	1962	1961
Current Assets:		
Cash	\$ 6,013,211	\$ 5,612,886
Accounts receivable, less reserves	5,775,017	5,293,070
Inventories of merchandise, priced at the lower of cost or market,		
less reserves	44,623,465	39,839,074
Total Current Assets	56,411,693	50,745,030
Prepaid Rent, Insurance, Taxes, Etc.	1,416,654	1,457,863
Investments in Affiliated and Other Companies, at cost (equity in underlying book values or market value \$5,370,000 in 1962 and \$5,860,000 in 1961)	2,114,061	2,061,183
PROPERTY AND EQUIPMENT, at cost:		
Land	257,909	165,261
Buildings (on owned and leased land)	1,550,833	1,547,003
Equipment	37,114,111	33,938,529
	38,922,853	35,650,793
Less—Reserves for depreciation	17,100,556	15,218,984
NET PROPERTY AND EQUIPMENT	21,822,297	20,431,809
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETc., at nominal		
amount	1	1
	\$81,764,706	\$74,695,886

The accompanying notes to financial statements

BALANCE SHEET

LIABILITIES

LIABILITIES	September 30,	
Company Laurana	1962	1961
CURRENT LIABILITIES:		
Trade accounts payable	\$10,950,053	\$ 9,473,385
Accrued expenses and other liabilities	9,683,555	8,653,262
Federal and state income taxes	3,635,980	3,714,763
Notes payable	1,375,000	4,250,000
TOTAL CURRENT LIABILITIES	25,644,588	26,091,410
Notes Payable to Banks (Note 3)	3,000,000	_
Deferred Federal Income Taxes	360,000	
Shareowners' Equity:		
Common stock, \$10 par value—		
Authorized 1,955,522 shares, issued and outstanding 1,523,733 in		
1962 and 1,430,418 in 1961, at stated value (Note 2)	22,375,963	19,611,864
Earned surplus (Note 3)	30,384,155	28,992,612
TOTAL SHAREOWNERS' EQUITY	52,760,118	48,604,476
	\$81,764,706	\$74,695,886

are an integral part of the above statement.

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF INCOME

For the Years Ended September 30, 1962 and 1961

	1962	1961
SALES AND OTHER INCOME:		
Net sales and other store income Other income (net)	\$353,143,634 185,954	\$331,665,829 635,322
	353,329,588	332,301,151
Costs and Deductions:		
Cost of sales and of selling, occupancy and administration, except depreciation	337,475,682 2,716,046	317,576,905 2,461,508
trust	1,361,108 298,970	1,215,000 343,822
Improvements to leased properties		
	341,851,806	321,597,235
INCOME BEFORE FEDERAL AND STATE INCOME TAXES	11,477,782 5,500,000	10,703,916 5,110,000
NET INCOME	\$ 5,977,782	\$ 5,593,916
For the Years Ended September 30, 1962 and Earned Surplus		
Balance, beginning of year (Note 1)	\$ 28,800,562	\$ 28,121,439
Net income	5,977,782	5,593,916
	34,778,344	33,715,355
Deduct—Dividends paid on Walgreen Co. stock— Cash dividends of \$1.60 per share in each year	2,334,622	2,224,814
Transferred to common stock for shares issued	1,821,140	2,203,879
Cash payment for fractional shares	238,427	294,050
	4,394,189	4,722,743
Balance, end of year	\$ 30,384,155	\$ 28,992,612
Common Stock		
Balance, beginning of year	\$ 19,611,864	\$ 17,091,655
Proceeds from shares issued under employees' stock option plan	225,078	316,330
Transfer of earned surplus in connection with 3% stock dividend	1,821,140	2,203,879
Stated value of 45,000 shares issued in exchange for the stock of the	717,881	
Globe-Danburg companies (Note 1)		\$ 19,611,864
Balance, end of year	\$ 22,375,963	\$ 19,011,804 ====================================

The accompanying notes to financial statements are an integral part of the above statements.

NOTES to Financial Statements

1. As of May 19, 1962, Walgreen Co. acquired the outstanding stock of the Globe-Danburg companies in exchange for 45,000 shares of Walgreen Co. common stock. If certain conditions are met during the two-year period ending May 19, 1964, a maximum of 15,450 additional shares (adjusted for the 3% stock dividend) may be issued.

The above transaction has been treated as a "pooling of interests" for accounting purposes. Accordingly, the stated value of Walgreen Co. common stock has been increased by the carrying value of the Globe-Danburg companies' stock and paid-in surplus. Consolidated earned surplus of Walgreen Co. as of October 1, 1961, has been adjusted to include the earned surplus (deficit) of the Globe-Danburg companies at that date, and the statement of income for the year ended September 30, 1962, includes the earnings of the Globe-Danburg companies for the entire year. Inasmuch as the 1961 Globe-Danburg operations were immaterial compared to Walgreen Co. operations, the 1961 consolidated financial statements have not been adjusted to reflect this transaction.

2. In 1957, the shareowners approved a restricted stock option plan for key employees,

including officers. At September 30, 1962, 24,664 shares are reserved for options which have been granted at prices ranging from \$23.99 to \$51.00. These options are exercisable beginning one year from the date of grant over a period not exceeding five years and in reduced amounts thereafter through 1967. During 1962, 12,534 shares became exercisable and 8,939 were exercised. Previously granted options required an adjustment of 718 shares because of the 3% stock dividend declared in 1962.

3. The company has a loan agreement under which it may borrow up to \$8,000,000 on short-term notes which are renewable until November 1, 1964. On that date the company may at its option, convert any part or all of the \$8,000,000 into term notes due in ten semiannual installments through November 1, 1969, with a minimum interest rate of $4\frac{1}{2}\%$ and a maximum of $5\frac{1}{2}\%$.

Under terms of the agreement, (a) \$17,617,050 of consolidated earned surplus at September 30, 1962, is not available for payment of cash dividends, or for repurchase of the company's stock; and (b) consolidated net current assets must be at least \$15,000,000. Consolidated net current assets, as defined, are \$30,767,105 at September 30, 1962.

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET CHICAGO 3

To the Board of Directors, Walgreen Co.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1962, and the related statements of consolidated income and shareowners' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and shareowners' equity present fairly the financial position of Walgreen Co. and Subsidiary Companies as of September 30, 1962, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois, November 9, 1962. ARTHUR ANDERSEN & Co.

IN SOUND COMPETITIVE POSITION:.



28 **NEW** WALGREEN DRUG **STORES** OF 1962

ABILENE, Tex., 203 Pine

ABILENE, Tex., Westgate Shopping Center

CHICAGO, III., 5650 W. Belmont

• CHICAGO, III., 1147 W. Granville

CHICAGO, III., 63rd & Halsted

· CHICAGO, III., 4801 N. Lincoln

• CHICAGO, III., 2300 W. Madison

· CHICAGO, III., 4001 W. North

· CHICAGO, III., 75th & State

CINCINNATI, Ohio, Laurel-Linn Shopping Center

COLUMBUS, Ga., 1112 Broadway

DES MOINES, Iowa, 606 Walnut

DES PLAINES, III., The Market Place

EL PASO, Tex., Bassett Shopping Center

GALESBURG, III., 144 E. M.

JENNINGS, Mo., Northland (

JENNINGS, Mo., River Road

KALAMAZOO, Mich., 235

KENOSHA, Wisc., 5711 Six

MEMPHIS, Tenn., 3503 Part

MILWAUKEE, Wisc., 1600 V

NEW ORLEANS, La., 4109

OAK BROOK, III., Oakbrook

OAK PARK, III., 1135 Lake

SHEBOYGAN, Wisc., 800 N

ST. LOUIS, Mo., Normandy !

SHREVEPORT, La., Shreve C

WEST HOLLYWOOD, Fla., 1

.. we are larger, newer, stronger-

WELCOME TO TO AUGINEURS

Progress Report:

32% of our 476 stores opened within past 5 years

24% of our stores remodeled in past 5 years

38% of our stores located in shopping centers

39% growth in stores' merchandising area in past 5 years

27% growth in average store volume in past 5 years

Our new Oak Park, Ill., store

ain Center (Prescription Shop) Is Shopping Center Burdick th

Visconsin Carrollton k Shopping Center

. 8th Shopping Center ity Shopping Center aft-Hollywood Plaza Wagreen OPEN OPEN

Customers join in mass ribbon-cutting ceremony, Kenosha, Wisc.

lf-service.

PROGRESS...in a new direction:

We Acquire 3 Giant 'Globe Discount City' Units and 7 Smaller 'Danburg' Department Stores in Houston Area



The broad sweep of a Globe 'Discount City'



GLOBE PROVIDES ADVANCE STARTING POINT FOR OUR EXPANSION PLANS

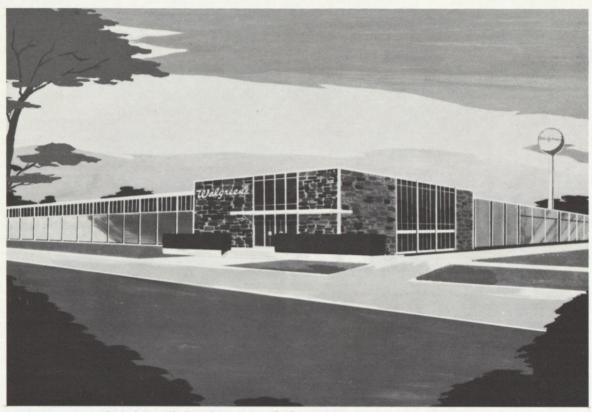
In May we added a dynamic new dimension to Walgreen operations—discount department stores—by acquiring three major-size *Globe Discount City* department stores in Houston, as well as seven smaller-size *Danburg* units.

The huge Globe units, all opened since 1960, range from 102,000 to 110,000 square feet overall. Features of Globe are 'one-stop shopping', discount prices, dramatic store styling, and a reputation for *quality*.

We foresee advantageous expansion opportunities for our new Globe Division.

PROGRESS... behind the scenes:

Warehousing Growth Parallels Store Expansion Pace to Insure Fast, Economical Flow of Merchandise to Stores



New 255,000 sq. ft. Berkeley, Ill., Warehouse (west of Chicago) now near completion

HUGE NEW CHICAGOLAND PLANT MARKS LATEST WAREHOUSING EXPANSION STEP

Our nationwide warehousing system—affording our stores cost advantages as well as fast availability of merchandise—is a prime factor in successful operation in this era of low-margin retailing.

With opening of our new Berkeley unit, overall warehouse service space will total over 3/4 million sq. ft.

Strategically located and engineered for efficiency, our warehouses generate the economies of distribution that bring our Company better earnings, our customers better values.



Typical warehouse scene: Merchandise-filled Walgreen truck leaves loading dock, bound for Walgreen stores.

PROGRESS...reflected in our food and



THE Hillayer ROOM

DELUXE DINING - IN OUR NEW STORE AT OAK PARK, ILLINOIS

Called the "Villager Room" (Oak Park is the famous city-size 'village'), this beautiful dining room, set quite apart from the busy traffic of the store, exemplifies the ultimate in Walgreen dining facilities today. In this instance, the Soda Fountain is completely separate, located in the store proper. Oak Parkers have given both our new store and "Villager Room" an enthusiastic reception since opening day in August this year.

(Turn back two pages to see overall store photo)

fountain business...



Enlarged Operation Promotes Extra Profit, Extra Traffic

MOST OF OUR LARGER NEW STORES NOW OFFER ADDED APPEAL OF GRACIOUS DINING ROOMS AS WELL AS OUR TRADITIONAL SODA FOUNTAINS

These spacious, inviting new dining rooms—featuring wider menu selection—are meeting with gratifying customer response, while our quick-service soda fountains successfully continue their traditional popularity.

This transition to broadened, restaurant-type operation is contributing significantly to our higher volumes, and the extra dividend is that the many added food customers we host naturally tend to shop our stores, as well.

Our recipe for success is in the Walgreen tradition: Good service, pleasant atmosphere, moderate prices, and one standard of food quality—the best.

"GRILL ROOM" at 4801 Lincoln, Chicago

Smiling hostess and waitress personify our "Welcome to Walgreens".

> Photo of this corner of "Grill Room" shows typical adjacent location of Soda Fountain.



Welcome to Walgreens

466 Walgreen Drug Stores in 36 States...10 Globe-Danbu

ALABAMA (1)

Mobile

ARIZONA (8)

Phoenix (6) Tucson (2)

ARKANSAS (5)

Fort Smith Hot Springs Little Rock (2) Pine Bluff

CALIFORNIA (13)

DIRECTORY

WALGREEN

STORES

Alameda
Daly City
Hayward
Oakland
Palo Alto
Redwood City
Sacramento (2)
San Francisco (3)
San Mateo
Santa Monica

COLORADO (12)

Boulder Colorado Springs Denver (7) Englewood Fort Collins Lakewood

CONNECTICUT (2)

Bridgeport Hartford

FLORIDA (28)

Bradenton Daytona Beach Fort Lauderdale Hialeah Jacksonville (4) Lakeland Miami (6) N. Miami Beach Orlando (3) Panama City Pensacola St. Petersburg Tallahassee Tampa (2) West Hollywood West Palm Beach (2)

GEORGIA (9)

Atlanta (6) Augusta Columbus Savannah

ILLINOIS (149)

Arlington Heights Aurora Berwyn Bloomington Blue Island Bridgeview Champaign CHICAGO (85) Chicago Heights Cicero Danville Decatur (2) Deerfield Des Plaines (2) Downers Grove East St. Louis Elgin Elmhurst Elmwood Park Evanston **Evergreen Park** Galesburg Glen Ellyn Harvey Highland Park (2) Joliet (2) Kankakee (2) La Grange Lake Forest Markham Melrose Park Moline (2) Morton Grove

Morine (2)
Morton Grove
Mt. Prospect
Niles
Norridge
Northbrook
Oak Brook
Oak Lawn
Oak Park (2)
Park Ridge (2)
Peoria (2)
Quincy
Rockford (2)
Rock Island
Skokie (3)
Springfield (2)
Sterling

INDIANA (16)

Villa Park

Waukegan (2)

Western Springs

Anderson
East Chicago
Fort Wayne (3)
Gary (3)
Hammond (2)
Lafayette
Logansport
Michigan City
Muncie
New Albany
South Bend

IOWA (7)

Bettendorf Clinton Council Bluffs Davenport (2) Des Moines (2)

KANSAS (1)

Topeka

KENTUCKY (14)

Lexington Louisville (9) Newport Owensboro Paducah Pleasure Ridge Park

LOUISIANA (23)

Alexandria Arabi Baton Rouge (3) Lake Charles (2) Metairie (2) Monroe (2) New Orleans (10) Shreveport (2)

MASSACHUSETTS (2)

Springfield Worcester

MICHIGAN (7)

Battle Creek
Benton Harbor
Flint
Jackson
Kalamazoo
Lansing
Muskegon

MINNESOTA (14)

Bloomington
Duluth
Edina
Minneapolis (7)
Richfield
St. Paul (2)
St. Louis Park

MISSISSIPPI (2)

Jackson Vicksburg

MISSOURI (12)

Crestwood
Jennings (3)
Northwoods
Richmond Heights
St. Louis (6)

NEBRASKA (5)

Lincoln (2) Omaha (3)

NEW JERSEY (3)

East Paterson Menlo Park Paramus

NEW MEXICO (2)

Albuquerque (2)

NEW YORK (13)

Albany De Witt Hempstead Levittown Massapequa Park New Hyde Park New York (4) Syracuse Valley Stream Yonkers

N. CAROLINA (5)

Durham Greensboro Raleigh Wilmington Winston-Salem

OHIO (13)

Akron Cincinnati (4) Columbus (3) East Cleveland Lima Springfield Toledo (2)

OKLAHOMA (2)

Tulsa (2)

PENNSYLVANIA (1) Altoong

S. CAROLINA (4)

Columbia (2) Greenville

S. DAKOTA (2)

Aberdeen Sioux Falls

TENNESSEE (15)

Knoxville Madison Memphis (10) Nashville (2) Oak Ridge

TEXAS (41)

Abilene (2) Amarillo Austin Beaumont (2) Corpus Christi (2) Dallas (5) El Paso

... Wherever You Are!

rg Stores...Plus Over 1900 Walgreen Agency Drug Stores

Galveston Houston (14) Lubbock Pasadena Port Arthur (2) San Antonio (4) University Park Waco (2) Wichita Falls

UTAH (3)

Salt Lake City (3)

VIRGINIA (1)

The Pentagon

W. VIRGINIA (1)

Wheeling

WISCONSIN (26)

Appleton Beloit Eau Claire Glendale Green Bay Kenosha Menasha Milwaukee (15) Racine Sheboygan Wauwatosa West Allis

WYOMING (2)

Casper Cheyenne

PUERTO RICO (2)

Bayamon San Juan (Rio Piedras)

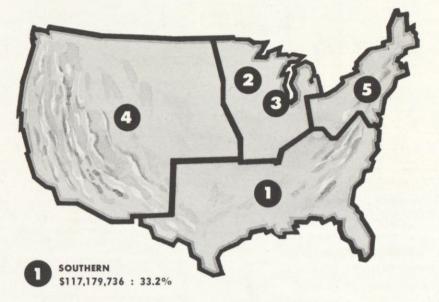
GLOBE-Danburg (10)

Houston, Tex. (Globe 3) (Danburg 5) Jacinto City, Tex. (Danburg) Victoria, Tex. (Danburg)

Sanborns

MEXICO (7)

Mexico City (6) Monterrey



- MIDWEST (Chicago excluded) \$ 99,621,288 : 28,2%
- CHICAGO III
- CHICAGO, ILL. \$ 68,549,699 : 19.4%
- WESTERN \$ 36,298,263 : 10.3%
- 5 EASTERN \$ 31,494,648 : 8.9%

466 Walgreen Drug Stores, serving key communities across the nation, bring better health, better living, better value to more than one million customers a day.

In addition, over 1,900 independently-owned Walgreen Agency drug stores carry our name and products into many areas not directly served by our own stores.

Our Globe Division, now adding discount department stores to our drug stores, further broadens our area of operation, and our affiliate in Mexico, the celebrated Sanborns, brings international scope to our retailing activities.

THE
DISTRIBUTION
OF
SALES

AT ANY OTHER DRUG STORES IN THE WORLD"

Walgreens ... No. 1 Pharmacist to the Nation

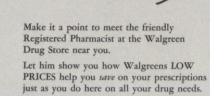
- NOW FILLING OVER 8 MILLION PRESCRIPTIONS A YEAR

THANKS TO MODERN MEDICAL SCIENCE, OUR PEOPLE ARE LIVING LONGER, AND ENJOYING THE YEARS TO THE FULL

In the Golden Years

...WHEN GOOD HEALTH
COUNTS SO MUCH...(and
every dollar counts, too...)
YOU CAN COUNT ON YOUR
WALGREEN PHARMACIST FOR
PRESCRIPTION SERVICE OF
THE HIGHEST STANDARDS-at very low cost to you.





It can be 50 important to retired people living on moderate income, especially if your prescription needs are frequent.

You'll find your Walgreen Pharmacist an expert professional man you can have confidence in...and a friendly, sincere man you can confide in.

P.S. IT IS REASSURING, TOO, TO KNOW THAT AT WALGREENS THERE IS A REGISTERED PHARMACIST AT YOUR SERVICE DAYTIME OR EVENING, 7 DAYS A WEEK.

